

*Enroll online starting October 31 through November 21 at noon (EST)*

State of Indiana

# Open Enrollment 2012

*A guide to making your best choice*



## **Understanding Your Healthcare Options in 2012**

***State Personnel Department  
Benefits Division***



## The nitty-gritty on healthcare

- Health care cost increases continue to make headlines
- The state's projected increase for its 2012 health care costs is **\$33 million**. This is in *addition* to the \$30 million increase we experienced last year.
- In spite of the challenging economic climate we are experiencing nationally, the state has pledged to contribute **\$16 million towards the cost increase**; that effectively offsets employees' financial responsibility by **50%**.



## Causes for increases

- General increase in providing healthcare (new technology, specialty meds, personalized health treatments, health inflation)
- Healthcare Reform
- Aging population
- Our own health claims continue to grow significantly year after year —
  - 330 members had medical claims in excess of \$100,000, for a total of \$60.7 million. A significant number of these claims were behavior-related.
  - 1.26% members used 27.2% of health care budget.



## 2012 health plan options

Consumer-driven health plan 1 (CDHP)	80/20
Consumer-driven health plan 2 (CDHP2)	80/20
Traditional PPO (Trad PPO)	70/30

All plans provided through Anthem



- **Dental plan**

Delta Dental

Coverage remains the same

Bi-weekly premium change

Single \$1.20

Family \$3.16

- **Vision plan**

Anthem Blue View Vision Select

Coverage remains the same

Premium: no change from 2011 rates

Single \$0.17

Family \$2.52



## Non-tobacco use incentive

- New incentive is a \$25 reduction in your health plan premium each pay period
- Must accept the agreement pledging to not use any tobacco products during 2012, and agree to undergo random nicotine testing
- Use = smoke, chew, season food with crushed tobacco leaves, any use
- Consequences = loss of job
- Right to rescind – no later than day prior to testing



## 2012 biweekly employee premium rates

<u>PLAN</u>	<u>SINGLE</u>	<u>FAMILY</u>
CDHP1	\$ 5.67	\$ 15.82
CDHP2	\$ 30.51	\$ 85.90
Trad PPO	\$ 126.27	\$ 351.40

*(Includes \$25 non-tobacco use incentive)*



## Maximum *annual* personal costs calculations \*

<u>Single coverage</u>	CDHP1	CDHP2	Trad PPO
Premium	\$147.42	\$793.26	\$3,283.02
Maximum out-of-pocket	\$4,000.00	\$3,000.00	\$2,500.00
State's HSA contribution	(1,123.20)	(673.92)	Ø
Total maximum personal cost	\$3,024.22	\$3,119.34	\$5,783.02
<u>Family coverage</u>	CDHP1	CDHP2	Trad PPO
Premium	\$411.32	\$2,233.40	\$9,136.40
Maximum out-of-pocket	\$8,000.00	\$6,000.00	\$5,000.00
HSA contribution	(\$2,249.52)	(\$1,347.84)	Ø
Total maximum personal cost	\$6,161.80	\$6,885.56	\$14,136.40

\* *Examples assume employee is:*

1. participating in the non-tobacco use incentive,
2. using in-network providers and
3. has an open HSA

*These comparisons represent the worst case scenario.*



## CDHPs vs. Trad PPO

- Consumer-Driven Health Plan (CDHP)
  - You pay a significantly lower biweekly premium
  - State contributes 45% of plan deductible into HSA
- Trad PPO:
  - You pay a significantly greater biweekly premium
  - Trad PPO does not have an HSA (IRS guidelines apply)



## 2012 deductibles

CDHP 1	Single	\$2,500	Family \$5,000 co-mingled
CDHP 2	Single	\$1,500	Family \$3,000 co-mingled
Trad PPO	Single	\$ 750	Family \$1,500 in-network
Trad PPO	Single	\$1,500	Family \$3,000 out-of-network

- Expenses incurred until you reach your deductible are paid from your personal funds or your HSA funds—you pay 100% of negotiated fee
- Co-insurance is the amount you pay after the deductible is met and insurance begins to cover (80/20 CDHP; 70/30 Trad PPO)

*Family must meet entire deductible before coverage applies*



## Out-of-pocket expenses

Once the maximum out-of-pocket is met, plan pays 100% of covered services.

<u>Plan</u>	<u>Single</u>	<u>Family</u>
CDHP 1	\$4,000	\$8,000 in network <i>co-mingled</i>
CDHP 2	\$3,000	\$6,000 in network <i>co-mingled</i>
Trad PPO	\$2,500	\$5,000 in-network <i>only</i>
Trad PPO	\$5,000	\$10,000 out-of-network

*Family must meet total out-of-pocket expense.*



## In-network providers

- Broad network contracted with Anthem.
- Accepts negotiated fee (allowable charge) for specific covered services.



## Out-of-network providers

- No contract with Anthem.
- May charge more than in-network providers.
- CDHPs pay 60% of discounted fees on most covered services.
- PPO pays 50% of discounted fees on most covered services.
- Provider can balance bill you for difference between what plan pays and the full fee charged.
- Not bound by Anthem's in-network discounted fees.
- Go to Provider Finder online directory at [www.anthem.com](http://www.anthem.com)



# Become an informed consumer for medical services

- Guided tour of Anthem website:  
[www.anthem.com/guidedtour](http://www.anthem.com/guidedtour)
- Anthem enrollees: [www.anthem.com](http://www.anthem.com)
- Go to Provider Finder online directory:  
[www.anthem.com](http://www.anthem.com)



# CDHP: prescriptions

## Retail pharmacy

1. Present your Anthem card –Medco name on back at bottom— to the network pharmacy
2. Prior to deductible is met, pay the full network-adjusted/allowed amount for your prescription
3. Use either personal funds or your HSA
4. Shop for pricing
5. Ask for generics
6. If deductible met, pay co-insurance – anywhere from \$10 to 40%; includes minimum-maximum protection



# Become an informed consumer for pharmacy services

This link takes you to the Medco open enrollment page  
[www.medco.com/stateofindiana](http://www.medco.com/stateofindiana)

You will have the choice of six informative options:

1. Find a local participating pharmacy
2. Compare prescription medication costs
3. SPD 2012 prescription co-pay benefits
4. Covered drug list
5. Formulary – look up drugs by name
6. Save \$\$ on your prescriptions



## Summary applies to all three plans: CDHP 1, CDHP 2, Trad PPO

Prescription drugs	Retail (Up to 30 days)	Mail order (Up to 90 days)
Generic	\$10 copay	\$20 copay
Formulary	20% min \$30, max \$50	20% min \$60, max \$100
Brand (non-formulary)	40% min \$50, max \$70	40% min \$100, max \$140
Specialty	40% min \$75, max \$150 (Up to 30-day supply)	



## Preventive services covered at 100%

- All plans' preventive covered services meet nationally recommended preventive care guidelines.

<http://www.healthcare.gov/prevention/index.html>

(Right click, then click “open link”)

- Eligible preventive services are NOT subject to deductible, if you use an in-network provider.
- Most services are paid at 100% of allowed charge -- refer to Health Benefit booklet and preventive website.

*This provision, as all other Health Reform Bill provisions, is subject to future change.*



# Health Savings Accounts (HSAs)

## Contribution options - illustration

Employer contributions → Pre-tax/tax-deductible

Employee contributions → Pre-tax through payroll withholding

Third-party → After-tax deductible contribution paid directly to bank; you take deduction on tax return



## Advantages of an HSA

- Contributions are *pre-tax/tax-deductible*
- Qualified distributions are *tax-free*
- Interest is *non-taxable*



## How the HSA is funded

- Pre-tax contributions by the state of Indiana:

<b>CDHP 1</b>	single - \$1,123.20
	family - \$2,249.52

<b>CDHP 2</b>	single - \$673.92
	family - \$1,347.84

### Pre-tax payroll deductions

- After-tax contributions by anyone – e.g., you write a check and deposit it in account, take deduction; remains yours
- Total deposits into your HSA must not exceed the maximum IRS limits on the following slide.



## 2012 annual contribution limits (defined by IRS)

<b>Single</b>	<b>\$3,100</b>
<b>Family</b>	<b>\$6,250</b>

If eligible -- \$1,000 catch-up contribution -- at least 55 years of age during the year one is enrolled in CDHP and HSA. If married and eligible, each spouse entitled to catch-up contribution.



## State pre-funds your HSA

- Half of the state's annual HSA contribution will be deposited into your HSA account on the first pay of January 2012.
- Remainder will be deposited in 26 equal installments each eligible pay period (if enrolled in CDHP by Jan. 1, 2012).

	Full contribution	Initial (1/2) contribution	Biweekly contribution
CDHP 1	Single \$ 1,123.20 Family \$ 2,249.52	\$ 561.60 \$ 1,124.76	\$ 21.60 \$ 43.26
CDHP 2	Single \$ 673.92 Family \$ 1,347.84	\$ 336.96 \$ 673.92	\$ 12.96 \$ 25.92



## Prefunding HSA (continued)

- Employees enrolled in a CDHP effective Jan. 1, 2012, through June 1, 2012, will receive the *full initial contribution*.
- CDHPs effective after June 1, 2012, through Dec. 1, 2012, will receive *one-half of the initial contribution*.



## HSA eligibility requirements

- Must be enrolled in an HSA-qualified health plan
- You may not:
  - Be enrolled in any other non-HSA qualified health plan (exceptions for vision, dental, certain other policies)
  - Be claimed/eligible as a dependent on another's tax return
  - Be enrolled in Medicare, Tricare or Medicaid
  - Have used VA benefits in past three months (other than preventive services)
  - Be enrolled in or covered by a Medical FSA

continued



## HSA eligibility (continued)

- Your spouse can be enrolled in any type of medical plan and it does not affect *your* eligibility to contribute to an HSA as long as you are *not* covered by that plan unless it is a qualified CDHP— (with conditions)
- If you are covered by your spouse's traditional medical plan, you cannot participate in an HSA
- If you are covered by your spouse's *medical* Flexible Spending Account (FSA), you cannot contribute to an HSA
- You may be covered by a *limited-purpose FSA* (limited to vision, dental or preventive)

continued



## HSA eligibility (continued)

- Spousal HSA combinations cannot exceed the IRS statutory maximum annual contribution limit.
- If your spouse is covered by a HSA-qualified self-only CDHP and you are covered by a HSA-qualified family CDHP, the combined amount you can contribute to your separate HSAs is the maximum allowed for a family plan. This is true whether you both have family plans or single/family plans.



## Mid-year changes

- If you change the type or level of insurance coverage mid-year, it may affect the amount you are able to contribute to your HSA. This does not affect how you can use funds already deposited.
- If you change from single to family by 12/1, you can increase the HSA contribution up to the full family amount for the year.
- If you change from family to single coverage or drop coverage by 12/1, you may need to decrease the amount you are contributing through payroll.
- If you exceed the federally imposed maximum amount in your HSA, you will be subject to penalties and/or additional taxes.



## HSA requirements → Open Enrollment process

- If you have an active HSA with Tower Bank and wish to continue receiving the state's contributions in 2012, you do not need to open a new HSA with Tower Bank.
- If you wish to continue contributing to your account or begin contributing for 2012, you need to access your PeopleSoft record and enter your desired contribution. Your contribution amount for 2011 will not carry over to 2012.
- If you are *electing to participate in a HSA for the first time* in 2012, you must edit the online HSA option in PeopleSoft. Then you will need to choose the HSA that corresponds to your medical CDHP election in order to receive the state's contribution.

continued



## HSA → Open Enrollment (continued)

- In addition to electing the HSA option, you must open a HSA account with Tower Bank before January 1, 2012.
- Link to Tower Bank's website from PeopleSoft to set up your HSA election page or go directly to the Tower Bank website ([www.hsa.towerbank.net](http://www.hsa.towerbank.net)).

The first page of this online session states: "If you have been instructed by your employer to visit this site to open your Health Savings Account, click this button and insert your employer code below." Enter "**100366**" in the "*employer code*" and it will begin the state application.

continued



## HSA → Open Enrollment (continued)

You will need the following information to complete the HSA application online:

- Driver's license
- Social Security number, date of birth & address for your beneficiaries;
- Social Security number, date of birth & address for your authorized signer (if selected); and
- Security passwords for you and your authorized signer (based on the answer to one of the five questions you select during the application process).



## Using funds from your HSA

- You will receive a debit card. Can have other signers.
- No time restriction on when you use funds, except that the medical service must have occurred *after* your HSA was opened.

You can

- Request checks.
- Pay provider directly with debit card or check.
- Pay provider with other funds & then reimburse yourself from the account.
- Pay medical expenses for any IRS-dependent, even if that person is not covered on your CDHP.



## Using funds from your HSA: reminder

- You cannot spend what is not there.
- You can use other sources & reimburse yourself once there is money in your HSA.
- You can contribute to your HSA & watch the balance grow.



## Links to IRS educational resources

Medical and dental expenses

<http://www.irs.gov/pub/irs-pdf/p502.pdf>

Health savings accounts and other tax-favored health plans

<http://www.irs.gov/pub/irs-pdf/p969.pdf>



## Questions?

Please feel free to ask questions.

If you have additional questions during Open Enrollment, please contact the Benefits Division:

317-232-1167 (within Indianapolis area)

1-877-248-0007 (outside the 317 area code)

[spdbenefits@spd.IN.gov](mailto:spdbenefits@spd.IN.gov) (email)